

Message Text

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TO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT: REVISION TO BALANCE OF PAYMENTS PAPER

REF: GENEVA 795

1. MUCH APPRECIATE USEFUL MISSION COMMENTS ON G-18 PAPER
ON GATT RULES AND PROCEDURES GOVERNING TRADE MEASURES FOR
BALANCE OF PAYMENTS PURPOSES.

2. IN RESPONSE TO MISSION COMMENTS AND WASHINGTON

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DISCUSSIONS WITH LONG AND PATTERSON, FOLLOWING CHANGES

TO PAPER WILL BE MADE:

-- (A). P. 3, AT THE END OF SECTION A, ADD THE FOLLOWING
-- NEW PARAGRAPH 6:

----- QUOTE 6. PROVISION SHOULD BE MADE FOR COMMITTEE
----- CONSULTATIONS WITH RESPECT TO IMPLEMENTATION
----- OF RECOMMENDATIONS. AT PRESENT THE BALANCE OF
----- PAYMENTS COMMITTEE DOES NOT HAVE ADEQUATE
----- AUTHORITY TO FOLLOWUP ON ACTION TAKEN IN LIGHT
----- OF COMMITTEE CONCLUSIONS END QUOTE.

---- (B) P. 3, SECTION B, AMEND THE HEADING TO READ AS
---- FOLLOWS:

-----QUOTE B. REVISION OF GATT ARTICLES END QUOTE

---- (C) P. 3, SECTION B, PARAGRAPH 2, AT THE END OF THE
---- SECOND LINE:

-----DELETE QUOTE ALSO INCLUDE END QUOTE AND
-----SUBSTITUTE QUOTE BE ACCCOMPANIED BY END QUOTE

--- (D) P. 3, SECTION B, PARAGRAPH 2. ADD AT THE END
--- THE FOLLOWING NEW SENTENCE QUOTE SUCH CRITERIA
--- WOULD BE REFLECTED IN THE APPROPRIATE GATT ARTICLES
--- END QUOTE.

---(E) P. 5, DELETE THE PARAGRAPH AT THE TOP OF THE
---PAGE AND SUBSTITUTE THE FOLLOWING:

-----QUOTE BECAUSE OF THESE DEVELOPMENTS, EFFECTIVE
-----REVIEW BY THE CONTRACTING PARTIES OF BALANCE
-----OF PAYMENTS MEASURES HAS BECOME MORE COMPLEX.
-----THERE IS A RECOGNIZED ANOMALY BETWEEN THE
-----PROVISIONS OF THE GATT AND THE PRACTICE OF
-----THE CONTRACTING PARTIES WHICH LENDS AN AIR
----- OF UNREALITY TO THE BALANCE OF PAYMENTS COM-
----- MITTEE DELIBERATIONS AND AN UNEVENESS IN THE
----- DEGREE TO WHICH THE ACTIONS OF THE CONTRACTING
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----- PARTIES ARE SUBJECT TO REVIEW. IN ORDER TO
----- ENSURE EFFECTIVE REVIEW OF ALL MEASURES, THERE
----- IS A NEED TO ESTABLISH AGREED PROCEDURES FOR
----- CONSULTATIONS ON THE RANGE OF MEASURES -
----- QUOTAS, DISCRETIONARY LICENSING, SURCHARGES
----- DEPOSIT MEASURES - WHICH ARE CURRENTLY USED
----- FOR BALANCE OF PAYMENTS PURPOSES.

-----THERE IS ALSO AN IMBALANCE IN THE BALANCE OF
-----PAYMENTS COMMITTEE DISCUSSIONS OF A COUNTRIES
-----BALANCE OF PAYMENTS SITUATION AND THE EFFECT
-----ON OTHER CONTRACTING PARTIES OF CORRECTIVE
-----TRADE MEASURES TAKEN. CONSTRUCTIVE CONSULTA-
-----TION MUST TAKE INTO ACCOUNT THE BALANCE OF
----- PAYMENTS DIFFICULTIES OF COUNTRY TAKING ACTION,
----- THE CAUSES THEREOF, INCLUDING THE EXTENT TO
----- WHICH LONG-TERM IMPORT RESTRICTIONS OF OTHERS
----- ADVERSELY AFFECT THE ABILITY OF SUCH COUNTRY
----- TO EXPORT, AND MUST INVOLVE APPRAISAL OF THE

----- TRADE AFFECTS OF ANY MEASURES TAKEN. REVIEW
----- MUST ALSO TAKE INTO ACCOUNT THE PARTICULAR
----- BALANCE OF PAYMENTS DIFFICULTIES OF THE
----- DEVELOPING COUNTRIES END QUOTE.

3. MISSION COMMENTS WITH RESPECT TO DE FACTO ACCEPTANCE
OF BOP MEASURES OTHER THAN QUOTAS, SPECIFIC MENTION OF
NEED TO REVISE OTHER ARTICLES (ESPECIALLY GATT ARTICLE
XV) AND GENERAL STRENGTHENING OF SECTION IN PAPER DEALING
WITH GATT - IMF RELATIONS WERE NOT INCLUDED.

4. WE AGREE WITH MISSION THAT WE SHOULD NOT AFFORD
CONTRACTING PARTIES THE OPPORTUNITY TO RECONSIDER DE
FACTO ACCEPTANCE OF SURCHARGES AND DEPOSIT SCHEMES AS
RECOGNIZED MEASURES FOR BALANCE OF PAYMENTS PURPOSES. WE
DO NOT, HOWEVER, BELIEVE THAT PAPER AFFORDS THIS
OPPORTUNITY AND WERE CONCERNED LEST STATEMENT THAT SUR-
CHARGES AND IMPORT DEPOSITS COULD BE WITHIN ARTICLE XII
OF THE GATT COULD FOCUS DISCUSSION NOT ON WHETHER
REGULAR PROCEDURES FOR REVIEW OF SURCHARGES AND
DEPOSITS SHOULD BE ESTABLISHED, BUT WHETHER OR NOT THEY
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ARE NOW WITHIN THE SCOPE OF ARTICLE XII AS DRAFTED.
SUCH DISCUSSION WOULD WE BELIEVE BE COUNTERPRODUCTIVE.
AFTER REVIEWING THE BACKGROUND TO ARTICLE XII, WE
BELIEVE THAT ANY ARGUMENT THAT SURCHARGES AND IMPORT
DEPOSITS ARE WITHIN ITS SCOPE IS VERY WEAK INDEED.
FURTHER, AND MORE SERIOUSLY, TO SUGGEST THESE MEASURES
ARE ALREADY COVERED UNDERMINES THE CASE FOR REVISION OF
RULES AND PROCEDURES. AT G-18, U.S. REPRESENTATIVES
WILL STRESS DE FACTO ACCEPTANCE BY THE CPS OF SURCHARGES
AND DEPOSITS AND NOTE THAT GATT PROCEDURES SHOULD BE
MODIFIED TO REFLECT SUCH ACCEPTANCE.

5. WITH REGARD TO AMENDMENTS TO ARTICLES XIII AND XIV,
YOU WILL NOTE THAT WE HAVE REVISED PARAGRAPH 2 OF
SECTION B IN SUGGESTED APPROACHES TO INDICATE THAT

CONFORMING AMENDMENTS WILL BE NEEDED TO APPROPRIATE GATT ARTICLES. WE DID NOT, HOWEVER, GET INTO SPECIFICS ON WHAT AMENDMENTS WOULD BE NEEDED SINCE WE BELIEVE DISCUSSION WILL BE MORE PRODUCTIVE IF FOCUS IS ON PROCEDURES. WE DO NOT WANT TO SUGGEST, AT THIS POINT, THAT THE CONSULTATIVE GROUP SHOULD CONCENTRATE ON THE NEED FOR WIDE-RANGING CHANGES IN GATT ARTICLES.

6. WE HAVE AVOIDED EXPANDING SECTION ON GATT-IMF RELATIONS IN THE PAPER PRIMARILY BECAUSE WE BELIEVE THE SECRETARIAT AND OTHER COUNTRIES WILL EMPHASIZE THIS.

AT THE LAST MEETING, FOR EXAMPLE, THE EC SUGGESTED THAT THE FOCUS OF DISCUSSION OF THE BALANCE OF PAYMENTS ISSUE SHOULD BE ON GATT-IMF COORDINATION. WHILE WE BELIEVE THIS IS AN IMPORTANT ISSUE, EFFECTIVE COORDINATION WILL FIRST REQUIRE THE GATT TO GET ITS INTERNAL PROCEDURES IN BETTER SHAPE. WE WOULD LIKE VERY MUCH TO CONCENTRATE DISCUSSION ON THE OPERATION OF GATT INTERNAL PROCEDURES AT THIS POINT.

7. WE HAVE SENT VIA AIR MAIL A REVISED COPY OF THE BALANCE OF PAYMENTS PAPER. WE HAVE ALSO SENT THE PAPER INDEPENDENTLY TO G-18 MEMBERS THAT RECEIVED PRIOR DRAFT. WE BELIEVE THAT IT WOULD BE USEFUL IF THE MISSION COULD DISTRIBUTE THE PAPER (PERHAPS THROUGH LIMITED OFFICIAL USE

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THE SECRETARIAT) TO G-18 MEMBERS AT THE NEXT PREPARATORY MEETING. IF THE AIR MAIL COPY DOES NOT ARRIVE BEFORE THE 18TH MISSION MIGHT INCORPORATE CHANGES AND HAVE

PAPER RETYPED IN GENEVA FOR DISTRIBUTION. INGERSOLL

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